

# CUSTOMER SATISFACTION AND LOYALTY OF A FRANCHISE PRODUCT EVIDENCE FROM NASI BEBEK GINYO RESTAURANT IN JAKARTA

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## ABSTRACT

*The objectives of this study were to: 1) identify the characteristics of the customers of Restaurant Nasi Bebek Ginyo, 2) to analyze factors influencing customer satisfaction and loyalty, and 3) to analyze the level of customer satisfaction and loyalty. Descriptive Analysis, Structural Equation Modelling (SEM), Customer Satisfaction Index (CSI) and Customer Loyalty Index (CLI) were used to analyze the data. The results of the study showed that tangible, reliability, food quality, and perceived value had significantly contributed to influencing customer satisfaction. From the estimates of SEM output, the results of CSI for this study were 67.78% and CLI is 58. 11%. The results of the study suggested for managerial implications to increase the level of customer satisfaction and loyalty.*

*Keywords: customer satisfaction, customer loyalty, SEM, CSI, CLI*

## ABSTRAK

*Tujuan dari penelitian ini adalah: 1) mengidentifikasi karakteristik dan perilaku konsumen restoran Nasi Bebek Ginyo, 2) menganalisis faktor-faktor yang mempengaruhi kepuasan dan loyalitas konsumen, dan 3) menganalisis tingkat kepuasan dan loyalitas konsumen. Analisis yang digunakan untuk mengolah data pada penelitian ini, yaitu: analisis deskriptif, Structural Equation Modelling (SEM), Customer Satisfaction Index (CSI) dan Customer Loyalty Index (CLI). Hasil penelitian menunjukkan bahwa variabel laten eksogen tangible, reliability, food quality dan perceived value memiliki hubungan yang signifikan dalam membentuk variabel kepuasan. Dari hasil analisis SEM, didapat nilai perhitungan CSI untuk konsumen restoran Nasi Bebek Ginyo yaitu sebesar 67,78% dan nilai CLI dari penelitian ini yaitu sebesar 58,11%. Implikasi manajerial yang disarankan untuk manajemen restoran Nasi Bebek Ginyo guna memperbaiki kinerja perusahaan, yang akan berdampak pada peningkatan kepuasan dan loyalitas konsumen.*

*Kata kunci: kepuasan konsumen, loyalitas konsumen, SEM, CSI, CLI*

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## INTRODUCTION

Food is one of the basic human needs in addition to accommodation and clothing, and people must meet these needs in order to survive. An increase in outside home activities has occurred along with the change of the consumption pattern and urban lifestyle, and this condition increases public demand for processed foods.

One of the businesses types related to the provision of foods is the restaurant business. Restaurant business is a business that is highly prospective since every person has to eat. Besides, the number of opportunities and chances to grow are in line with the growing market. Growth in the number of restaurants in Jakarta has continued to increase in which the number of the restaurants in 2007 was amounted to 2.305, and in 2011, the number increased by 3.523. The increasing number of restaurants that continues to grow indicates that

competition in the restaurant business is also getting tougher. The emergence of various types of restaurants in Jakarta is the reaction to the innovations of various types of foods in Indonesia in general and in Jakarta in particular.

The Indonesian society is now more demanding and aware of high quality yet affordable foods with practicality both on serving and tastes. A type of restaurant that is now favored by customers is a restaurant that serves a variety of processed duck meat in its menus, and the duck meat consumption trend has continued to increase for the past three years. Based on the research by the Directorate General of Livestock in 2010, the need or demand for duck meat continued to increase from 2008 to 2010 on which the needs of duck meat reached 14,3 thousand tons in 2010. The increasing trend of duck meat consumption can be considered as the result of taste shifting from chicken meat to duck meat because of its tasty and savory flavor. Similarly, the market also continues to make innovations in the duck meat processing.

One of the restaurants that serve various menus of duck meat is Nasi Bebek Ginyo Restaurant which has been established since 2007. This restaurant is a fast-food restaurant with self-service concept. Because of the competition in restaurant businesses, Nasi Bebek Ginyo needs to make some identifications, monitor and define strategies in order to win the competition. The customer satisfaction is important to be measured by the restaurant management. If the customers are not satisfied with the food, they may choose other restaurants which are also located near this restaurant.

Currently, the management of Nasi Bebek Ginyo Restaurant is striving to continue providing good services to its customers with the hope to obtain its customer satisfaction that eventually will increase the customer loyalty. Based on the data obtained from the restaurant management, the average number of customer visits per day is still below the company target, and the increasingly fierce competition among similar restaurants requires the management need to conduct research on the level of satisfaction and customer loyalty to the restaurant and on factors influencing satisfaction and loyalty. The objectives of this study were to identify the characteristics and attitudes of the customers of the Nasi Bebek Ginyo Restaurant, to analyze the factors affecting customer satisfaction and loyalty, and to analyze the level of customer satisfaction and loyalty.

Research on Service Quality, Customer Satisfaction, and Behavioral Intentions in Fast-Food Restaurants was previously conducted by Qin and Victor (2009). The tool used was the analysis of Structural Equation Model (SEM) to see the relations among the service quality, customer satisfaction, and behavioral intentions. The results showed that the five dimensions were significantly influential on customer satisfaction, namely, tangibles, reliability, responsiveness, recovery, assurance, and quality empathy. Services and good quality were the two main determinants of satisfaction. Qin and Victor (2008) also conducted research on Determinants of Customer-Perceived Service Quality in fast food restaurants and reviewed their relationships to customer satisfaction and behavioral intentions. This study used SEM as an analytical tool similar to the tool used by Qin and Victor (2010). The result of the study concluded that satisfaction is related to quality. A similar research was also conducted by Tu Y et.al (2011) stating that service significantly influences customer satisfaction, and this has a strong impact on customer loyalty to the sample.

## METHOD

The data collected in this study included both qualitative and quantitative primary data and secondary data. The primary data were obtained through direct interviews in the research location i.e. in Nasi Bebek Ginyo Restaurant in South Jakarta using a secondary questionnaire whereas the secondary data were obtained from various relevant reference sources.

The method used in this research was descriptive approach with a survey method and a direct assessment for the Nasi Bebek Ginyo Restaurant. This method was expected to facilitate the researchers to obtain factual, systematic, comprehensive, and accurate information on the facts and characteristics of the object of research.

A non-probability method sampling was used in this study using the convenience sampling where the samples were taken based on the availability and easy access (Nazir, 1988). This method is a method used to obtain the desired data by distributing questionnaires to the respondents. The prospective respondents in this survey were the customers who have ever visited this restaurant and made a purchase of the food products at least twice within the last 3 months. As many as 185 customers who were the object of the research filled out the questionnaire based on the rule of the thumb of Structural Equation Modeling (SEM).

In this study, the identification of the customer satisfaction model of Nasi Bebek Ginyo restaurant only referred to the concept of Service Quality or abbreviated with SERVQUAL (Zeithaml et al. 1990) and two exogenous latent variables were adopted from the research conducted by Qin and Victor (2009), namely, dimensions of food quality and perceived value were added. Expected further research may use the concept as well as other theories on the customer satisfaction and loyalty in Nasi Bebek Ginyo Restaurant.

There were 34 indicator variables made up in the SEM model and a number of 185 people were involved in this study. The 1–5 Likert scale was used as the measurement scale with response categories from very dissatisfied (VD) to very satisfied (VS). In the structural model, there are seven latent exogenous variables (free) which describe the dimensions that affect customer satisfaction including tangible, reliability, assurance, responsiveness, empathy, food quality, and perceived value. The seven latent exogenous variables

are associated with an endogenous latent variable (not free) i.e. customer satisfaction while the customer satisfaction latent variable affects customer loyalty latent variable.

This study used 4 analyses, namely, a descriptive analysis, Structural Equation Modeling (SEM), Customer Satisfaction Index (CSI) and Customer Loyalty Index (CLI). Descriptive analysis is a research method that involves collecting data in order to test hypotheses or answer questions related to the state at the present time. SEM analysis has been widely used in research on customer satisfaction as a multivariate statistical technique dependency where it allows researchers to analyze one or more independent variables with one or more dependent variables. Analyses of CSI and CLI can measure the level of customer satisfaction and loyalty to a product/service as a whole and give the percentage to what extent the products/services meet the customer satisfaction. The research framework is presented in Figure 1.

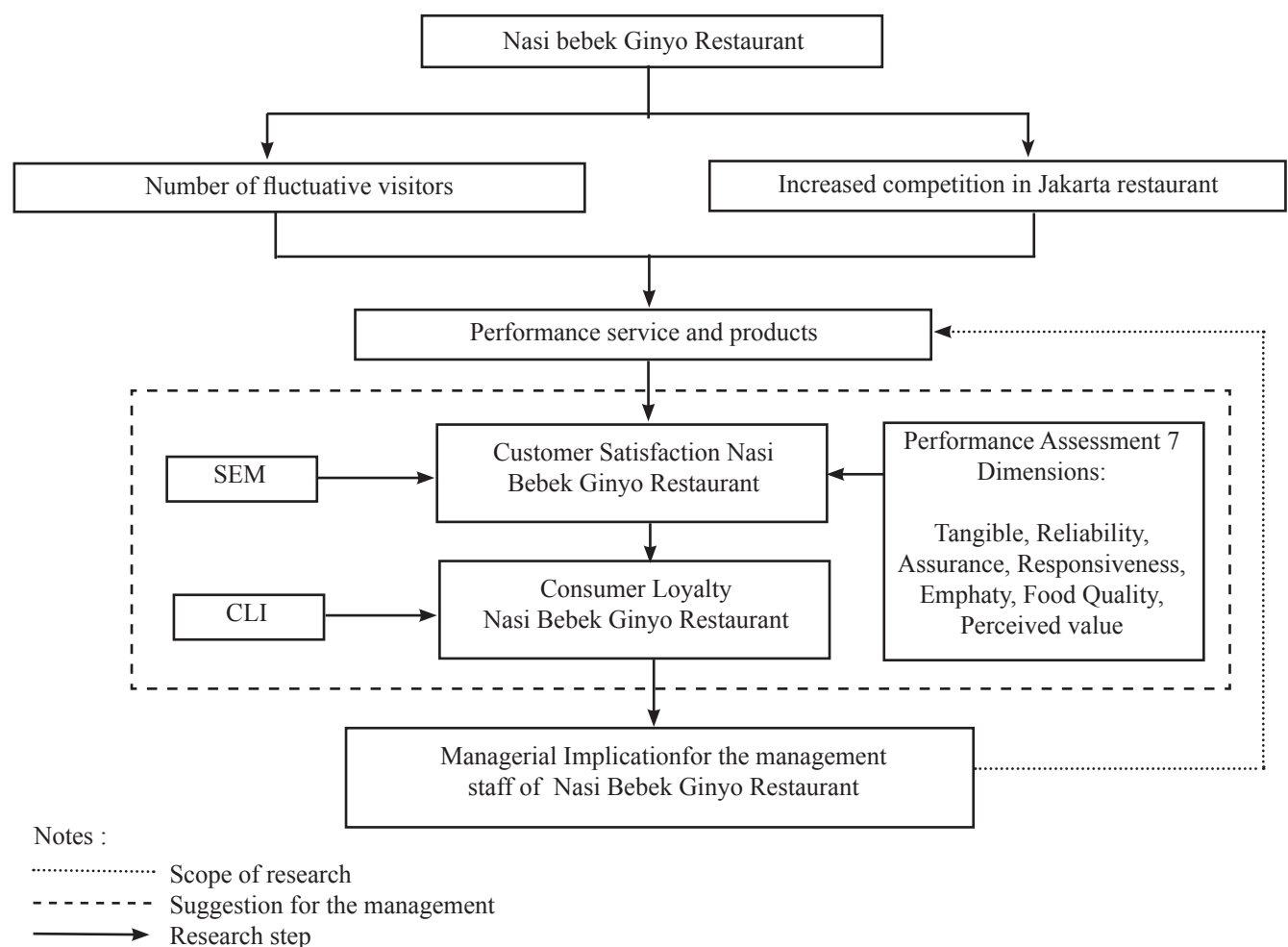


Figure 1. Conceptual thinking framework

## RESULT

### Characteristics and Customer Behaviour Based on Demography

The descriptive analysis showed that the respondents of Nasi Bebek Ginyo consisted of more males than females with a percentage of 50,3% and 49,7% respectively. Most respondents are aged between 17–27 years with a percentage of 61,6%, and in majority (70,8 %), their marital status is single. Based on the level of education, the majority of respondents (57,3 %) have a high level of education with the bachelor degree (S1). Based on the type of work, some respondents work as private employees with a percentage of 44,3% and based on income per month, a number of respondents (27%) earn over IDR 5 million.

In this study, the use of behavioral data by the respondents was related to the buying patterns in Nasi Bebek Ginyo Restaurant. The analysis showed that some of the respondents had visited Nasi Bebek Ginyo restaurant more than 5 times with a percentage of 41.6%, and most of the respondents visited the restaurant on weekdays with a percentage of 62.7%, while 49.7 % of them visited the restaurant in the evening. In addition, the majority of respondents chose to come to the restaurant together with friends with a percentage of 69.7%.

Based on the data, the majority of respondents (47,6%) obtained information on Nasi Bebek Ginyo Restaurant by themselves i.e. when they passed the place on the way to their office. Their main reason for revisit the restaurant was that the foods were considered to be reasonably cheap with the percentage of 32,4%. If seen from their frequency of visits, a number of respondents (32,4 %) came to the restaurant once a month; however, the majority of the respondents bought ducks in a small quantity, i.e. between 1–3 pieces of duck in a single visit

with a percentage of 94,1%, and 53 % of the respondents spent between IDR50.000 and IDR100.000 per visit.

### Factors Affecting the Customer Satisfaction and Loyalty

Analysis of Structural Equation Modeling (SEM) is an analytical tool looking at the relationship among the components of satisfaction based on a model framework that has been theoretically developed. The researchers combined the literature on the quality of services in the restaurant business to develop a frame of mind. Qin and Victor (2009) added the three dimensions of service on the five dimensions of SERVQUAL including the dimensions of recovery, food quality, and perceived value; however, in this study, only two dimensions of food quality and perceived value were added. The model in this research used seven latent variables called exogenous latent variables that is tangible, reliability, assurance, responsiveness, empathy, food quality and perceived value and two endogenous latent variables i.e. satisfaction and loyalty. Each latent variable is composed by a component called an indicator, and the exogeneous indicator is for the exogenous latent variables, and the endogenous indicator is for the endogenous latent variables.

Based on Table 1, the suitability criteria of the measurement of the models discussed in this study included the df parameter, p-value, Goodness of Fit Index (GFI), Adjusted Goodness of Fit Index (AGFI), Root Mean Square Error of Approximation (RMSEA), comparative Fit Index (CFI), and Root Mean Square Residual (RMSR), and all of them are based on the criteria of Wijanto fitness model (2008) and Sharma (1996). Based on the values obtained, the overall model was built in order to have an appropriate value so that the model can explain the empirical information constructed based on the data collected.

Table 1. The results of the suitability criteria for the overall research model

Suitability criteria	Cut off value	Research result value	Information
df	$\leq 3,00$	0,98	Good fit
p-value	$\geq 0,05$	0,57	Good fit
GFI	$\geq 0,90$	0,92	Good fit
AGFI	$\geq 0,80$	0,87	Good fit
RMSEA	$\leq 0,08$	0,00	Good fit
CFI	$\geq 0,90$	1,00	Good fit
RMSR	$RMSR_{j+1} < RMSR_j$	0,06	Good fit

The test results showed that the exogenous latent variables of tangible, reliability, food quality and perceived value have a significant relationship (real) in forming satisfaction variables. This is consistent with studies that had been conducted by the Qin and Victor (2009) on customer satisfaction in the fast-food restaurant where the results showed that the dimensions of tangibles, reliability, and responsiveness, recovery, assurance, empathy, and food quality have significant influences in shaping customer satisfaction. The similarities between the results of this research and the research conducted by Qin and Victor (2009) included tangible dimension, reliability, food quality, and perceived value where both have a significant influence in the form of satisfaction.

As for the exogenous latent assurance variables, Responsiveness and Emphaty are not significantly associated in shaping the satisfaction variables because the t-test value was smaller than 1,96. These three latent variables which are significantly unrelated will not be removed from the SEM Model, because the entire variable components are fixed to contribute in shaping a good SEM Model on the customer satisfaction research of Nasi Bebek Ginyo Restaurant. The Modele of de Cross Schema Customer satisfaction obtained after the data processing by logiciel AMOS 7.0 is shown in Figure 2.

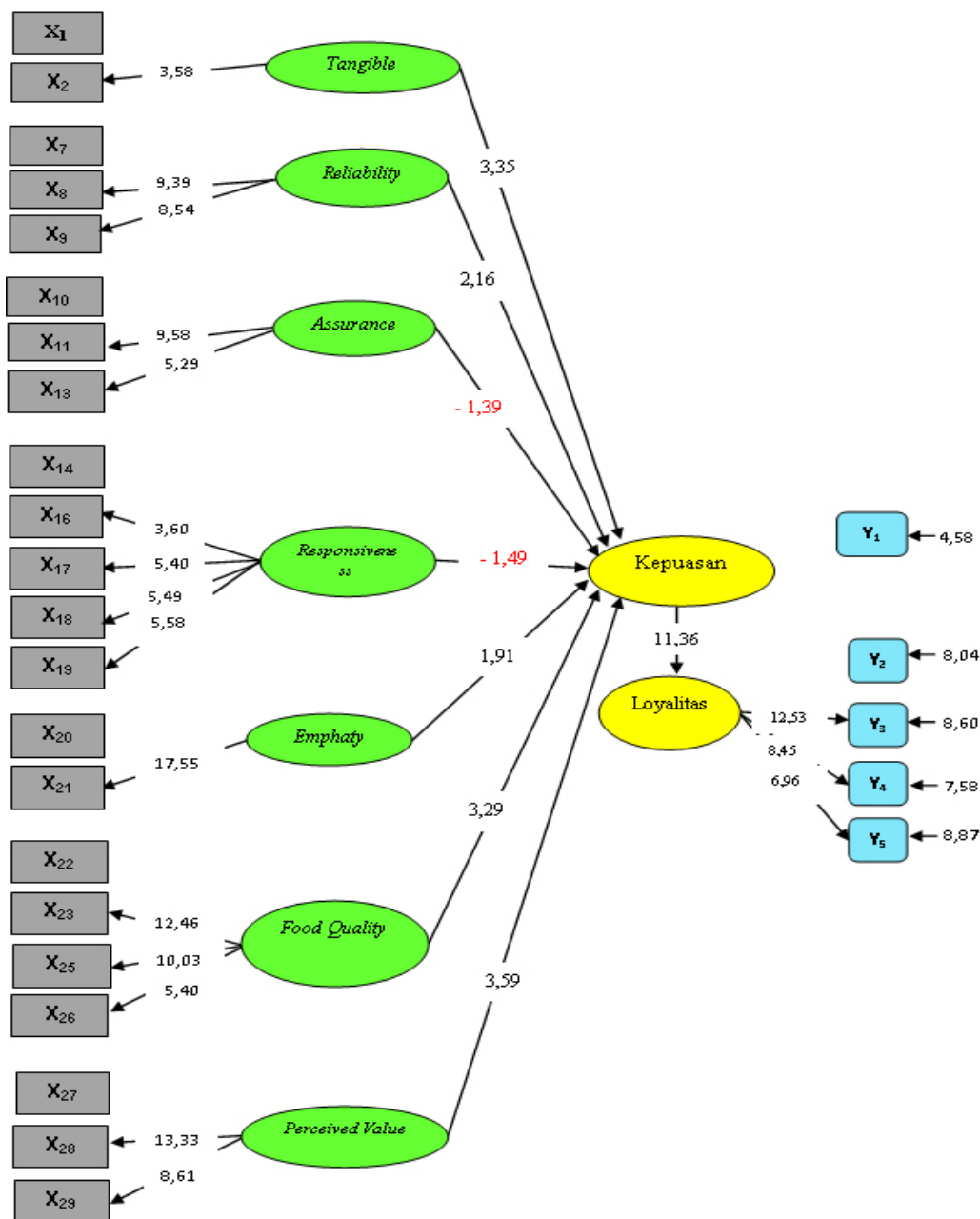


Figure 2. The value of the t-test structural models of cross diagrams research



## Effect of SERVQUAL Dimensions, Food Quality and Perceived Value towards Satisfaction

The effects of the dimensions of tangible, reliability, assurance, responsiveness, empathy, food quality, and perceived value on the satisfaction of the coefficient of the construct were gamma ( $\gamma$ ). Based on the results of SEM analysis (Figure 2), it can be seen that only four dimensions i.e. tangible, reliability, food quality and perceived value had a significant effect on satisfaction where the t-test values were above 1.96 i.e. 3.35, 2.16, 3.29 and 3.59 respectively whereas the dimensions of assurance, responsiveness, and empathy had no

significant effect on the satisfaction where the t-test values were below 1.96 i.e. -1.39, -1.49, and 1.91 respectively.

Based on Table 2, the dimensions of tangible (physical facilities) had the strongest influence on the satisfaction that is 0.67. Based on the order of magnitude of the influence coefficients, reliability (0.60) was the second strongest influence dimension, food quality (0.41) was the third, perceived value (0.36) was the fourth, and empathy or caring (0.31) was the last and had the least effect on the satisfaction.

Table 2. Coefficient of constructs and influence of indicator variables

Atribut	Load factor	Construct coefficient	Influence
<b>Tangible Dimension</b>			
Cleanliness of the dining room and the toilet (X1)	0,33	0,67	0,22
Seat availability (X2)	0,43	0,67	0,29
<b>Reliability Dimension</b>			
Easy payment system (X7)	0,69	0,60	0,41
Reliable Staff (X8)	0,83	0,60	0,50
Providing expected service (X9)	0,88	0,60	0,52
<b>Assurance Dimension</b>			
Wide knowledge of the staff (X10)	0,78	-0,48	-0,38
Trustworthy Staff (X11)	0,74	-0,48	-0,36
Security in financial transaction (X13)	0,41	-0,48	-0,20
<b>Responsiveness Dimension</b>			
Speed of waitress serving food at buffet (X14)	0,39	-0,27	-0,11
Speed of Transaction Process (X16)	0,32	-0,27	-0,09
the willingness of employees to help (X17)	0,61	-0,27	-0,17
Alertness of employees to face the consumer complaints (X18)	0,88	-0,27	-0,24
The ability to deal with complaints (X19)	0,87	-0,27	-0,24
<b>Emphaty Dimension</b>			
Speed of the employee apologize upon wrong things (X20)	0,90	0,31	0,28
Concern for consumer complaints (X21)	0,93	0,31	0,28
<b>Food Quality Dimension</b>			
Delicious taste of food (X22)	0,83	0,41	0,34
Tender duck meat texture (X23)	0,83	0,41	0,34
Clean and nice food serving (X25)	0,71	0,41	0,29
Food and drink variations (X26)	0,41	0,41	0,17
<b>Dimensi Perceived Value</b>			
Food Price (X27)	0,83	0,36	0,30
Drink Price (X28)	0,92	0,36	0,33
Proud feeling after eating at the restaurant duck Ginyo (X29)	0,60	0,36	0,22

Positive construct coefficient values indicate that these dimensions contributed to the improvement of customer satisfaction of Nasi Bebek Ginyo restaurant based on the empiric data while the dimensions of assurance and responsiveness had negative values that is -0,48 and -0,27, indicating that both dimensions had negative contributions towards satisfaction formation. This suggests that early consideration of a prospective customer to come and eat at the restaurant Rice Duck Ginyo is seen from the dimensions of tangible (physical facilities) where seat availability is an important concern for the management to improve customer satisfaction.

### **The Influence of Satisfactory Dimension towards Loyalty Dimension**

For the endogenous latent variables, satisfaction was only measured through indicators of overall satisfaction (Y1) with its load factor value of 0,87 since the overall satisfaction information can explain the satisfaction variables. Based on the results of the Structural Equation Model (SEM) analysis output, there is a significant relationship among the components of satisfaction in building customer loyalty, if seen from the t-test values greater than 1,96 that is 11,36. From the load value of 1,00 and t-test value of 11,36, satisfaction has a significant effect on customer loyalty. Based on the results, it can be concluded that the four variables can be accepted as a measure of loyalty customer because the t-test value is greater than 1,96. Of the four indicator variables observed, the loyalty dimension has the largest load factor i.e. the re-purchase indicator (Y2) with a factor value of 0,72, and willingness to re-purchase describes loyalty of the customers of Nasi Bebek Ginyo Restaurant.

### **Customer Satisfaction Index (CSI)**

To see the level of customer satisfaction in service quality of Nasi Bebek Ginyo Restaurant, Customer Satisfaction Index (CSI) calculation was used. After determining the factors that affected customer satisfaction through SEM analysis, the level of customer satisfaction was analyzed using the CSI. The CSI values were calculated from the dimensions of tangible, reliability, assurance, responsiveness, empathy, food quality, and perceived value, and the CSI is strongly associated with an overview of the evaluation of the respondents to the overall performance of the company and product aspects studied.

Measurement of customer satisfaction with the CSI method illustrated that the result of respondents' satisfaction evaluation indicator variables studied was quite high i.e. 67,78% and they were in the satisfied category (Simamora, 2002). In general, if the value of CSI is already above 50%, it can be said that customers are satisfied with the product; on the contrary, if the value of CSI is below 50%, customers are not fully satisfied with the product. Based on this, Nasi Bebek Ginyo Restaurant has been able to meet its customers' satisfaction by 67,8%.

### **Customer Loyalty Index (CLI)**

Based on the calculation of the loyalty aspect, it can be seen that the customer loyalty index (CLI) of Nasi Bebek Ginyo Restaurant was amounted to 58,11%. This index indicates that respondents are loyal to the restaurant due to its performance (Simamora, 2002). Meanwhile, based on the indicator variables studied, it can be said that the indicator variable of giving recommendation on Nasi Bebek Ginyo Restaurant to others (Y3) had a high contribution to the loyalty with an index of 18,21 if compared to the other indicators. This shows that if the respondents feel satisfied with the services provided by Nasi Bebek Ginyo Restaurant, they will be more loyal to this recommended restaurant than to the others.

### **Managerial implications**

Based on the research results, a number of recommendations can be given for the improvement of the performance of the services in Nasi Bebek Ginyo Restaurant, and these recommendations are related to customer satisfaction and loyalty. The management should regularly evaluate the quality of services and food of the business to continuously improving the attributes of the dimensions of tangible, reliability, food quality, and perceived value that significantly affect satisfaction; as a result, the customers will increasingly be satisfied with the performance of the restaurant's current and future services and products. The managerial implications are briefly presented in Table 3.

Tabel 3. Managerial implications

Dimension	Managerial Implications
Tangible	<ul style="list-style-type: none"> <li>- Addition of extra chairs at lunch time</li> <li>- Upgrading of the room so that there are more spaces for additional chairs especially during the Ramadan Month</li> <li>- Employment of a number of waiters to help customers find a place to sit</li> </ul>
Reliability	<ul style="list-style-type: none"> <li>- Consistency in the quality of services provided and periodical evaluation in the provided services</li> <li>- Periodical provision of soft skill training for the staff</li> <li>- Usage of more advance technology system to support better payment system</li> </ul>
Food quality	<ul style="list-style-type: none"> <li>- Maintenance of food quality, with a focus on the cooking process to maintain the flavor of duck meat</li> <li>- Development of recipe innovations for new types of foods and drinks</li> </ul>
Perceived value	<ul style="list-style-type: none"> <li>- Provision of rebates or creation of a full package menu of food and drinks at an affordable price</li> </ul>

## CONCLUSIONS AND RECOMMENDATIONS

### Conclusions

A number of conclusions to answer the research objectives as the results of the research on customer satisfaction of Nasi Bebek Ginyo Restaurant can be obtained. The descriptive analysis of the results shows that the majority of the customers of Nasi Bebek Ginyo are employees with an undergraduate education level and from the upper-middle social class. In general, the respondents visit the restaurant with friends in the evening and make purchases in small portions. The factors that influence satisfaction and loyalty are influenced by the dimensions of tangible, reliability, food quality and perceived value which have significant influences in shaping customer satisfaction. Satisfaction is the component forming loyalty to the effect of 0,97. There is a significant relationship between satisfaction and loyalty. Overall, the respondents expressed their satisfaction with the performance of Nasi Bebek Ginyo Restaurant with a customer satisfaction index of 67,78%, meanwhile the level of customer loyalty shows that customers are quite loyal to the restaurant with a loyalty index of 58,11%. For the managerial implications, the restaurant should maintain the factors that are considered to have a major influence in shaping the satisfaction, among which is to maintain the quality of the food and quality of services which it provides to its customers. Another major concern is the tangible dimension, where the availability of adequate seating is necessary.

### Recommendations

A number of suggestions given to the management of Nasi Bebek Ginyo Restaurant include continuing making improvements in the attributes that give the

highest and lowest contributions, without having prejudice to the attributes that give the average value contribution. Essentially, all the attributes should get the attention of the management, because all of them contribute to the customer satisfaction. Moreover, the restaurant management should continue taking measurements of customer satisfaction at a certain period of time; thus, this measurement can be used as inputs and evaluations in improving the quality of service performance.

The results of the study conducted with structural models explain that the dimensions of assurance, responsiveness, and empathy have no significant effects on satisfaction. In order to analyze the influence of the three dimensions, it is suggested that further research add indicator variables to the dimensions so that they become more significant or reconstruct the SEM model. In this study, the dimensions of satisfaction can be seen in the concept of SERVQUAL, and two dimensions were taken from the previous research in the form of satisfaction, and further research is expected to be able to use the concept as well as other theories in forming satisfaction and loyalty. For example, by adding the variables of recoverability and employee attitude, and by using another theory applying the concept of marketing mix 7P (product, price, place, promotion, people, process, and physical evidence).

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